Office - Supreme Court, U.S.
FILED
NOV 20 1957
JOHN T. FEY, Clerk

In the

Supreme Court of the United States

OCTOBER TERM, 1957

No. 544

SEARS, ROEBUCK & COMPANY AND ALLSTATE INSURANCE COMPANY,
Petitioners,

v.

ALL STATES LIFE INSURANCE COMPANY,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit.

BRIEF FOR RESPONDENT IN OPPOSITION

PAUL CARRINGTON,
FRANK G. NEWMAN,
OTIS B. GARY,
1900 Mercantile Bank Bldg.,
Dallas, Texas,
Attorneys for Respondent.

INDEX

	Page
Citations to Opinion Below	1
Statutes Involved	2
Statement	2
Argument:	
Reply to Point A	5
Reply to Point B	11
Conclusion	16

Page

Cases:

Graver Tank & Mfg. Co. v. Linde Air Products Co., 336 U. S. 271, 275 (1949) 5

Pick Mfg. Co. v. General Motors Corp., 229 U. S. 3 (1936) 5

Rice v. Sioux City Cemetery, 349 U. S. 70, 74 (1955) 8

Sears, Roebuck and Co. v. Johnson, 219 F. 2d 590 ..... 5, 6

United States v. E. I. DuPont de Nemours, 351 U. S. 377, 381 (1956) 10

United States v. United States Gypsum Co., 333 U. S. 364, 393-395 (1948) 7, 9

U. S. Printing & Lithograph Company v. Griggs, Cooper & Co., 279 U. S. 156 15

United States v. Oregon State Medical Society, 343 U. S. 326, 339 (1952) 10

United States v. Yellow Cab Co., 338 U. S. 338, 341, 342, (1949) 10, 11

Statutes:

Federal Rules of Civil Procedure:
28 U. S. C. following Sec. 2072 ..... 2, 8

Rule 52a 5, 6, 8, 9

Lanham Act, 60 Stat. 427:

Section 7(b) [15 U. S. C., §1057(b)] 2

Section 32(1) [15 U. S. C., §1114(1)] 2

15 U. S. C. A., Sec. 1127 15

Page

Miscellaneous:

5 Moore's Federal Practice, 2nd Ed., Section 52.12, page 2690 5

Texas Insurance Code:

Article 21.01 14

Article 21.02 14

Article 21.44 3

In the

Supreme Court of the United States

OCTOBER TERM, 1957

No. 544

SEARS, ROEBUCK & COMPANY AND ALLSTATE INSURANCE COMPANY,

Petitioners,

v.

ALL STATES LIFE INSURANCE COMPANY,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit.

BRIEF FOR RESPONDENT IN OPPOSITION

OPINIONS BELOW

The opinion of the District Court is not reported except in the form of footnote 4 to the majority opinion of the Court of Appeals and is printed in Appendix B of the Petition, page 3a.

The opinion and dissenting opinion of the Court of Appeals, which are printed in Appendix B of the Petition, pages 5a and 24a, are reported at *246 F. 2d 161*.

Petitioners have copied in their Appendix B the opinion of the Court of Appeals before certain printing errors were

corrected, as is shown by comparison of Appendix B of the Petition (pages 5a-24a) and the opinion as reported at *246 F. 2d 161*.

STATUTES AND RULE INVOLVED

The statutes relied upon by Petitioners are Sections 7(b) and 32(l) of the Lanham Act, 60 Stat. 427, 15 U. S. C., Sections 1057(b) and 1114(l), and Rule 52(a) of the Federal Rules of Civil Procedure, 28 U. S. C. following Section 2072. (Appendix A of the Petition, pages 1a, 2a.)

STATEMENT

This action was instituted by Petitioners for the primary purpose of preventing Respondent from using its corporate name, All States Life Insurance Company (Complaint, R. 8).

Respondent was duly incorporated under the Insurance Code of Texas (Plaintiffs' Exhibit 7; R. 118) which provides, in part, that "the name of the company * * * shall not be so similar to that of any other insurance company as to be likely to mislead the public." Article 2,02, Insurance Code of Texas. On July 25, 1955, the Insurance Commission of Texas issued its certificate to Respondent allowing it to operate as a life insurance company in Texas under its chosen corporate name (Defendant's Exhibit 7, R. 305).

Some months later, Petitioners protested the action of the Texas Board of Insurance Commissioners in approving Respondent's corporate name; the grounds of such protest

being that it was so similar to that of Allstate Insurance Company as to mislead the public (Defendant's Exhibit 8; R. 417, 306).

After consideration of Petitioners' protest, the Texas Board of Insurance Commissioners refused to withdraw its approval and denied relief (Defendant's Exhibit 9; R. 421-22; R. 306; Defendant's Exhibit 10; R. 371-74; R. 306).

That was the first of the three determinations which Petitioners have now had concerning the merits of their contentions in regard to Respondent's corporate name.

Although Article 21.44 of the Texas Insurance Code (see footnote 1 of the opinion of the Court of Appeals, Appendix B of the Petition, page 7a) provides judicial review of administrative determinations of the Insurance Commission, Petitioners did not avail themselves of it.

This action was subesquently filed by Petitioners in the United States District Court for the Northern District of Texas to require Respondent to change its corporate name, upon the grounds of alleged unfair competition and alleged trademark infringement.

The record in the District Court clearly reflects that Petitioner Sears, Roebuck & Company has numerous existing and expired trademarks involving the word "Allstate," but uses such word only for motor vehicle parts, products and accessories (R. 148) and that Petitioner Allstate Insurance Company registered and uses "Allstate" only in regard to automobile casualty insurance (R. 13-20, 353; Appendix B of the Petition, page 6a, lines 5-9).

The evidence also shows that the law of Texas, as well as that of most states, prohibits a life insurance company from engaging in the casualty insurance business and vice versa (R. 277, 239, 299; Appendix B of the Petition, page 6a, lines 9, 10).

Since 1928, a life insurance company has been in existence in Alabama using the name All States Life Insurance Company, the identical corporate name used by Respondent. At one time, Petitioner Allstate and the Alabama company were concurrently licensed to do business in fourteen states (Stipulation, R. 353-355), and Petitioners never protested the licensing of that company in any of these states. (R. 157.)

Respondents' president testified that one reason for choosing Respondent's name was that he hoped to take over the Alabama company (R. 333), toward which steps were taken shortly after Respondent was licensed (R. 324). In pursuance of this proposal, Respondent executed a contract of sale with the Alabama company to acquire controlling interest in it (Defendant's Exhibits 15, 16, 18; R. 322, 323, 335) and also received an assignment of the use of its name and insignia in Texas (Defendant's Exhibits 13 and 14; R. 320-322).

The District Court found that there was no confusion or reason for confusion (Appendix B of the Petition, page 4a), and entered a judgment for Respondent (R. 424, 425). That was the second determination of the results of Petitioners' case.

Petitioners appealed and, after reviewing the decision of the trial court, the Court of Appeals affirmed.

Petitioners then filed a Petition for Rehearing, which was overruled. Thus ended the third determination as to Petitioners' contentions.

ARGUMENT

In this federal litigation Petitioners have sought to change the effect of the administrative decision of the state agency charged with the regulation and supervision of Respondent upon the grounds of alleged unfair competition and alleged trademark infringement. Only the rights of the litigants are involved, and the two lower courts have concurred in the result as it stands. The Court of Appeals carefully weighed the evidence supporting the findings of the District Court and affirmed.[1] There is no special or important reason for this Honorable Court to review the decision which is based entirely upon factual evidence and does not depend upon any issue of law.

A. We first turn to Petitioners' contention in their point A that the decision of the Fifth Circuit is in conflict with *Sears, Roebuck and Co. v. Johnson, 219 F. 2d 590*, by the Third Circuit, and with opinions of other circuits which Petitioners contend agree with it as to Rule 52(a). It is submitted that there is no real conflict.

---

[1] As this Court has stated: "A court of law, such as this Court is, rather than a court for correction of errors in fact finding, cannot undertake to review concurrent findings of fact by two courts below in the absence of a very obvious and exceptional showing of error." *Graver Tank & Mfg. Co. v. Linde Air Products Co., 336 U. S. 271, 275 (1949).* See also *Pick Mfg. Co. v. General Motors Corp., 299 U. S. 3 (1936); 5 Moore's Federal Practice, 2nd Ed., Section 52.12, page 2690.*

In trademark infringement cases where "reproduction, counterfeit, copy or colorable imitation" has been proven[2] the owner of the trademark has the burden of proving likelihood of confusion, mistake or deceit. We feel that it is well settled that such issues are entirely factual and no authority has been cited by Petitioners to the contrary. Rule 52(a) was promulgated to prescribe the scope of review by appellate courts as to all fact findings of trial courts sitting without juries. Its terms are plain. It does not distinguish between different "classes'" of facts, such as "basic" or "ultimate," as the opinion of the Third Circuit purports to do, but concerns itself only with "findings of fact."

It is submitted that the same basic appellate reviewing process was utilized by the Third Circuit in the *Johnson* case as that used by the Fifth Circuit in the instant case,[3] notwithstanding that one opinion states that what its author conceives to be "ultimate facts" are beyond the "clearly erroneous" test of Rule 52(a), and the other opinion states that all findings of fact by the trial court are binding on the appellate court unless clearly erroneous. The test of

[2]In this connection see opinion of the Circuit Court, Appendix B of the Petition, page 11a.

[3]Petitioners would give the impression that the Fifth Circuit failed to review the facts in the instant case and summarily affirmed the District Court out of blind loyalty to Rule 52(a). Even a cursory reading of the opinion will reveal the contrary. The appellate court carefully reviewed nd weighed the evidence and repeatedly said that the findings were supported by the evidence (Appendix B of the Petition, page 14a, line 32, "substantial evidence"; 19a, line 29, "ample evidence"; 20a, lines 13 and 14, "sufficient evidence"; 21a, lines 15 and 16, "so adequately supported as to make it impossible to hold that its decision was clearly erroneous"; 19a, lines 30 and 31, "We conclude that *no error* was committed by the trial court in finding that there was no infringement of Appellant Allstate's service marks"). (Emphasis added.)

"clearly erroneous" was announced by this Court in *United States v. United States Gypsum Co., 333 U. S. 364, 393-395 (1948)*. There, this Court held:

> "A finding is 'clearly erroneous' when although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed."

Both the Third and Fifth Circuits in the decisions involved undertook to review the *entire* record to determine if they were left with the conviction that a mistake had been committed. Respondent does not believe that the *Johnson* case represents a departure from the appellate process dictated by Rule 52(a) as interpreted by this Court in *Gypsum*. The Third Circuit, no less than this Court and the Fifth Circuit, will not reverse unless it is left with the firm conviction from the record as a whole that a mistake has been committed. Convinced that the whole record supported a conclusion opposite to that held by the trial court on the pivotal fact in issue, the Third Circuit reversed in the *Johnson* case. Convinced that the record on the whole supported the Trial Judge's finding, the Fifth Circuit in the instant case affirmed. Though there be conflict in the language in *opinions*, it is submitted that there is no conflict in the *decisions* or the approach of each court to the discharge of its duty of review.

If Respondent's analysis is correct, this would seem to be, at best, merely one of those questions of "scholarly interest" which this Honorable Court has recently announced it will not hear; there being involved only mental

satisfaction. *Rice v. Sioux City Cemetery, 349 U. S. 70, 74 (1955)*. In that case, the rule was announced *(349 U. S. at page 74)*:

> " 'Special and important reasons' imply a reach to a problem beyond the academic or episodic."

If Respondent is mistaken, and there is a real difference in the scope of review exercised by the Third and Fifth Circuits, respectively, then it is the Third Circuit and not the Fifth Circuit which is in conflict with the clear terms of Rule 52(a) and with the intention of the Advisory Committee which promulgated the rule. The Advisory Committee announced, in regard to the "clearly erroneous" provision:

> "The rule stated in the third sentence of Subdivision (a) accords with the decisions on the scope of the review in modern federal equity practice. It is applicable to *all classes* of findings in cases tried without a jury whether the finding is of a fact concerning which there was conflict of testimony or of a fact deduced or inferred from uncontradicted testimony."[1] (Emphasis added.)

Moreover, if the reviewing process is different in the Third and Fifth Circuits, then the Third Circuit is also in conflict with the decisions of this Honorable Court, as will be demonstrated. In the *Johnson* case no evidence was adduced by the defendant. Most of the facts were therefore undisputed. However, the trial court found that there was no likelihood of confusion and upon appeal the Circuit

[1] *Final Report of the Advisory Committee on Rules for Civil Procedure* —November, 1937. Found also in 28 U. S. C. A. following Rule 52.

Court said, in overruling defendant-appellee's contention that Rule 52(a) was applicable to the finding of no likelihood of confusion:

> "* * * In disturbing a district court's findings of basic facts, this court is guided by the 'clearly erroneous' provision of Rule 52(a). But Rule 52(a) is not applicable where, as here, the dispute is not as to the basic facts, but as to what inference (i.e., ultimate fact) should reasonably be derived from the basic facts." (Emphasis added.)

This Court, however, has held to the contrary. In *United States v. United States Gypsum Co., 333 U. S. 364, 393-395 (1948)*, this Court, in reviewing the case on appeal as the primary appellate court, said:

> "We turn now to a different phase of the case—the correctness of the findings * * *."
>
> * * * * * *
>
> "* * * In so far as this finding and others to which we shall refer are *inferences* drawn from documents or undisputed facts, heretofore described or set out, Rule 52(a) of the Rules of Civil Procedure is applicable. That rule prescribes that findings of fact in actions tried without a jury 'shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses.' It was intended, in all actions tried upon the facts without a jury, to make applicable the then prevailing equity practice. Since judicial review of findings of trial courts does not have the statutory or constitutional limitations on judicial review of findings by administrative agencies or by a jury, this Court may reverse findings of fact by a trial court where 'clearly erroneous'." (Emphasis added.)

The rule announced in *United States Gypsum* has been uniformly followed by this Court, *United States v. Yellow Cab Co., 338 U. S. 338, 341, 342 (1949); United States v. Oregon State Medical Society, 343 U. S. 326, 339 (1952); United States v. E. I. DuPont de Nemours, 351 U. S. 377, 381 (1956).*

The Fifth Circuit, in the instant case, has followed Rule 52(a) and the interpretation of this Court to the letter. Assuming arguendo that opinions in other circuits are not in harmony, it is respectfully submitted that this Court should not review an errorless judgment which has followed its decisions, merely to repeat once again that Rule 52(a) means precisely what it says.

In this connection, Respondent would make another observation. The evidence heard by the District Court consisted in large part of oral testimony adduced by each side, and Rule 52(a) admonishes that due regard is to be given to the trial court's opportunity to judge credibility. The Fifth Circuit has done so.

Respondent regrets that Petitioners have chosen to castigate the District Judge and to denominate his decision as a travesty. Such a statement by Petitioners is unwarranted. The record in this case contains 424 pages of pleadings, testimony and exhibits, in addition to which there were fifty-one original exhibits sent to the Court of Appeals and now to this Court. (R. 430; Petitioners' designation of the record.) The Petitioners adduced oral testimony from sixteen witnesses and introduced portions of depositions

from eleven others, while Respondent had nine witnesses and introduced deposition evidence of three other witnesses. All parties filed "exhaustive briefs" which were considered by the District Court. (See Opinion, Appendix B to Petitioners' Brief, page 3a.) In this connection, the following language from *United States v. Yellow Cab Co., 338 U. S. 338, 340-342 (1949)*, seems particularly appropos:

> "What the government asks, in effect, is that we try the case *de novo* on the record, reject nearly all of the findings of the trial court, and substitute contrary findings of our own.
>
> "'* * * The Government relied in large part on inferences from its 485 exhibits, introduced by nine witnesses. The defendants relied heavily on oral testimony to contradict those inferences.'"
>
> * * * * * *
>
> "'* * * While, of course, it would be our duty to correct clear error, even in findings of fact, the Government has failed to establish any greater grievance here than it might have in any case where the evidence would support a conclusion either way but where the trial court has decided it to weigh more heavily for the defendants. Such a choice between two permissible views of the weight of the evidence is not 'clearly erroneous'."

For these reasons, Respondent submits that Petitioners' first point is not well taken.

B. Replying to Petitioners' second contention in their point B, the decision of the Fifth Circuit did not, as contended by Petitioners, give controlling significance to the absence of actual competition between the parties. To so

contend, we think, is to ignore the clear language used by the Court:

> "The fact that the litigants are not in competition is *not* the decisive factor as to the likelihood of confusion." (Emphasis added.) (Appendix A of the Petition, page 12a, lines 9 and 10.)

The Court pointed out that competition is only one of the relevant factors bearing on likelihood of confusion. It also discussed two of its other decisions which held that competition is not of controlling importance.

There is certainly no conflict between this decision and that of the Third Circuit in the *Johnson* case as to the importance of competition in determining the scope of trademark protection. The very language quoted from that opinion at page 18 of the Petition clearly shows that the two cases are completely in accord. They both hold that competition, while a factor in determining whether there is confusion, is not controlling.

Nor did the Fifth Circuit hold, as contended by Petitioners, that Section 7(b) of the Lanham Act carries the statutory presumptions only as to goods actually specified in the certificate of registration. That part of the opinion quoted out of context at page 16 of the Petition is perhaps misleading.[3]

[3] The Court prefaced that statement with the cogent observation that "the statute itself seems to distinguish between cases in which the alleged infringer uses the mark with a different product and those in which he uses it on a competing article * * *." (Appendix B of the Petition, page 14a.)

iat the Court expressly reserved decision on that sub-
is shown in its opinion:

"Assuming, however, that this is too narrow a construction of the Lanham Act, we think that appellant Allstate's contention here is subject to the same weakness as is that of its owner, Sears, as to likelihood of confusion." (Appendix B of the Petition, page 15a, lines 22-26.)

is thus seen from the language of the opinion itself the two premises relied on by Petitioners to sustain second point are non-existent.

espondent will not follow Petitioners into the merits he case and review all the evidence which the trial t had before him, as was done in Respondent's brief re the Fifth Circuit. The opinion of the Circuit Court be referred to in that regard, for it discussed parts of evidence at some length.

or will Respondent lengthen this brief with a discus- of all the cases cited by Petitioners in their attempt to a conflict among several of the Circuits.

ven if Petitioners' contention were correct that there three, or even if there were thirty lines of authority ng the Circuit Courts in determining the test of in- gement, rather than criteria which shade into one her, and even if we assumed that this case presented

ost of the misdirected letters and telephone calls referred to (R. 1), which constituted a "very small percentage" of the total mail alls received by Petitioner Allstate (R. 205-206), occurred before ndent's name appeared in the November, 1955, telephone directory 05, 206). "Moreover, no proof was offered to indicate that a single action testified to resulted in any ultimate loss or danger of loss to ants." Opinion of Circuit Court, Appendix B of the Petition, page nes 18-20.

such issue, it seems clear that, because of the special field of service and the particular facts involved herein, this case does not present any such issue in a manner that could be considered of general importance and application in the trademark field.

Certainly, the likelihood of confusion in the factual instances of each purely trademark case must be viewed in the light of the particular circumstances involved.

However, the lower courts in this case considered not only those factors which are usually considered in determining likelihood of confusion but also considered the special industry involved and the customs and practices therein. The Circuit Court noted "that in the insurance business in Texas a great similarity in the names of different companies is not considered a cause of confusion so long as the names indicate different lines from those already certified" (Appendix B of the Petition, page 16a, lines 26-31), and referred to the "apparently universal practice in the insurance industry of distinguishing between companies by differentiating between the lines of insurance carried." (Appendix B of the Petition, page 18a, lines 2-4.)[1]

[1] Petitioner Allstate has urged that because of its sales facilities at department stores and through catalogs the reliance by the Court below on similarities between the names of other existing insurance companies was misplaced. (Page 15, first footnote, Petition.) This contention seems to ignore the provisions of the state law which provide that any person who solicits insurance, or transmits an application, or receives or delivers a policy, or examines a risk, or collects or transmits a premium, or does or perform "any other act or thing in the making or consummating of any contract of insurance" is deemed an agent of the insurance company for whom such service is performed and must procure a certificate of authority from the Board of Insurance Commissioners before performing any such functions. Article 21.01, 21.02, Texas Insurance Code. See also Chapter 21 of this Code for the examination requirements as to agents and the prohibitions against misrepresentation, unfair competition and deceptive acts in the business of insurance.

In addition, the particular facts in this case concerning prior use by an Alabama company with a name identical to that of Respondent and without protest by Petitioners (R. 157) distinguishes this case from the usual trademark case.

Petitioners have urged this Court to accept this case for the purpose of writing an opinion to serve as a guide for the Circuit Courts in the application and interpretation of the Lanham Act. It should be noted that Petitioners have not properly invoked the Lanham Act in this case, because they failed to plead or prove that Respondent's activities are either "in commerce", or that they burden or affect "commerce."[5] Even if the Act were in issue here, this case would scarcely be the appropriate vehicle for the type of guiding decision which Petitioners assert is needed, for this case involves the customs and usages of the specialized insurance industry and in it the effort has been made to prevent Respondent from using its corporate name, chosen and confirmed by the state administrative agency to be properly available to it, in accordance with such customs and usages of the industry.

Respondent submits that the decision below is clearly correct. The case was fully tried and has had careful appellate review. Two courts have concurred in the result, which is based on the particular facts involved, and there is no special or important reason for this Court to review it.

[5] That it was incumbent upon them to do so to be entitled to remedies under the Lanham Act, see *U. S. Printing & Lithograph Company v. Griggs, Cooper & Co.*, 279 U. S. 156. The Lanham Act defines "commerce" as "all commerce which may lawfully be regulated by commerce." 15 U. S. C. A., Sec. 1127.

CONCLUSION

For the foregoing reasons it is respectfully submitted that the petition for a writ of certiorari should be denied.

Respectfully submitted,

PAUL CARRINGTON,
FRANK G. NEWMAN,
OTIS B. GARY,
1900 Mercantile Bank Bldg.,
Dallas, Texas,
Attorneys for Respondent.